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Date: June 21, 2002

Name: Melissa Scanzillo

Signature: Melissa Scanzillo
Clifford Chance Rogers & Wells LLP

Docket No. 3499-93

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

In re Application of: David Lawrence

Filed: January 30, 2001

Group Art Unit: 2171

Serial No: 09/772,427

Examiner: N/A

For: AUTOMATED POLITICAL RISK MANAGEMENT

RECEIVED

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Technology Center 2100

RENEWED PETITION TO MAKE SPECIAL UNDER 37 C.F.R. § 1.102

Commissioner for Patents
Washington, D.C. 20231

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Sir:

In an Office Action mailed April 23, 2002 a Petition to Make Special for the above-identified application was denied by the Special Program Examiner. Pursuant to 37 C.F.R. § 1.102(d) and M.P.E.P. 708.02(VIII): Accelerated Examination, the petitioners hereby respectfully request reconsideration of the Petition to Make Special.

GROUP 3600

Specifically the Office Action stated that the Petitioners submission was deficient because:

(i) it did not fall under the criteria for an Invention for Countering Terrorism under 35 CFR 1.102(d) and MPEP 708.02(XI)

(ii) it did not provide a sufficiently detailed discussion of the references pointing out with particularity how the claimed subject matter is patentable over the references.

Each of these issues is addressed in the comments and revised discussion of the cited art below.

Please note that a Preliminary Amendment to independent claim 22 was submitted concurrently with this petition. A copy of this Amendment is enclosed. The statements made with regard to the prior art address claim 22 as amended.

INVENTIONS FOR COUNTERING TERRORISM

Pursuant to 37 C.F.R. § 1.102, and in accordance with section 708.02 (XI) of the Manual of Patent Examining Procedure (MPEP), entitled Inventions for Countering Terrorism, applicants hereby respectfully request a Petition to Make Special for the above-identified patent application. The Patent Office has stated that the present invention does not fall under the requirements for special status as an invention that can be used to counter terrorism. Applicant respectfully disagrees.

18 U.S.C. § 2331 outlines several acts that the U.S. government considers to constitute "international terrorism" and MPEP § 708.02 (XI) provides that the PTO can grant special status for applications which can be used to counter international terrorism. While the MPEP lists various types of technology for countering the end-results of terrorism, it clearly states that the "types of technology for countering terrorism could include, but are not limited to" the examples provided. In addition to physical barriers, the U.S. Government has repeatedly emphasized that one aspect of countering international terrorism is to reduce or prevent its funding, such as by identifying and freezing suspect accounts, identifying and acting against money laundering mechanisms, etc.

Public Law 107-56 (the "USA Patriot Act") was passed in response of the terrorist attacks of September 11, 2001. Title III of the act is entitled "International Money Laundering Abatement and Financial Anti-Terrorism Act of 2001." This title specifically finds that "money laundering, and the defects in financial transparency on which money launderers rely, are critical to the financing of global terrorism and the provision of funds for terrorist attacks." (Sec. 302(a)(2)). The law specifically obligates banks and financial institutions to engage in a special due diligence for correspondent and private banking accounts involving foreign persons and to take actions designed to "detect and report instances of money laundering through those accounts" as part of a coordinated effort to counter the financing of terrorism. (Sec. 312).

More generally, the U.S. State Department has emphasized that "United States places a high priority on denying terrorists their sources of financing and blocking their ability to use the funds they already control." (Patterns of Global Terrorism - 2000", U.S. State Department, Office of the Coordinator for Counterterrorism, April 30, 2001.) The U.S. Government is a signatory to the International Convention for the Suppression of Terrorist Financing, which "creates an international legal framework for investigating, apprehending, and prosecuting those involved in terrorist financing and describes preventive measures to identify and choke off sources of income for terrorists and to restrict the movements of such funds across international borders." (Id.)

Soon after the September 11 attacks, the President exercised emergency powers under the International Emergency Economic Powers Act (IEEPA) (50 U.S.C. §1601 et seq.) to block property (including financial assets in the United States) of designated individuals and terrorist organizations (E.O. 13224, September 23, 2001). Addressing this issue, the President made it clear that a key aspect of his plan to counter terrorism addressed financing of terrorist organizations: "The first strike in the war against terror targeted the terrorists' financial support." (Statement by President Bush, White House Office of the Press Secretary, November 7, 2001.) Similarly, Treasury Secretary Paul H. O'Neill recently stated that an important aspect of countering terrorism is combating terrorist financing by "eliminat[ing] the flow of funds that finance global terror." (Transcript, International Monetary and Financial Committee Meeting April 20, 2002.)

In order to counter the financial aspects of terrorism, as generally sought by the Government and as specifically required by the USA Patriots Act and the IEEPA, banks and other financial institutions must be able to identify suspect activities and customers so they can be brought to the attention of the proper authorities for further investigation or so that their property may be blocked. The assignee of the

present invention, Goldman Sachs, is heavily involved in supporting efforts to make the information needed to screen potential clients available and is leading the effort to establish a database company, Regulatory DataCorp International ("RDC"), to provide information on individuals, organizations, and other entities with known ties to terrorism or other criminal activity. A recent article discussing the software solutions used by banks and other financial institutions to cut off funding to terrorists, including RDC, is enclosed. ("Banking on Software Solutions", MSNBC, June 12, 2002.)¹

The present invention contributes to countering terrorism by allowing financial institutions and other organizations to obtain and monitor extensive and often not readily accessible information on potential or current customers in a timely and uniform fashion, which can be critical to anti-terrorism. Government and law enforcement agencies increasingly rely on "know-your-customer" diligence on the part of financial institutions in an effort to discover and interrupt terrorist activities. Current methods of obtaining information do not efficiently offer the feed back needed to identify risk associated with the customer, such as the political exposure of a customer. As a result, diligence conducted by large financial institutions, as well as others, is inefficient. What is needed is a method and system to expedite risk assessment to facilitate timely response to risk such as blocking assets where required by law or/and notifying an appropriate authority of suspicious activity. This will allow government and law enforcement agencies to better counter terrorist strategies.

Because the present invention can be used to help banks and other financial institutions detect and report activity related to money laundering and other suspicious or prohibited activity, for example, by identifying transactions involving individuals with specified political connections, the application is an "invention for countering terrorism" as viewed by the U.S. Government and can therefore be granted special status under MPEP § 708.02 (XI).

STATEMENTS REGARDING PETITION TO MAKE SPECIAL

A. Field of Search

A pre-examination search for the above-identified application was conducted in Class 235/379; 235/380; 340/825.33, 705/36; 705/35.

B. Discussion of References

A copy of the above-identified application and, except where noted below, copies of the references discussed below were submitted in the Petition to Make Special filed on December 7, 2001. Copies of these documents are therefore already in the file. Copies of newly cited references are enclosed.

Petitioner presents all claims directed to a single invention, or if the Patent and Trademark Office (Office) determines that all of the claims are not obviously directed to a single invention, will make an election without traverse as a prerequisite to the grant of special status.

In general, none of the references provides for or teaches a computer-implemented method for identifying, assessing, and managing risks, such as legal, regulatory, financial, and reputational risks, associated with a financial account owned by a politically identified person. In particular, none of the above references teaches generating a risk quotient based on information related to the political exposure of a person involved in a financial transaction. Additionally, the references do not disclose suggesting to a financial institution actions commensurate with a political exposure based risk quotient that might help

¹ http://www.msnbc.com/modules/exports/ct_email.asp?news/766013.asp

the institution properly manage risk associated with a politically identified account holder. Each of the references is discussed in more detail below.

Recently, an article addressing software solutions used by financial institutions to cut off funding to terrorists has come to the attention of the assignee. This article (which is discussed above) was not published until June 12, 2002 and is therefore not prior art. The article identifies three systems that are not associated with the present invention (PATRIOTcompliance Solution from Sybase, detection software from Mantas, and an on-line system by World-Check Inc.) Descriptive materials of the system from Mantas and World-Check have been obtained and are enclosed. Although some aspects of the Mantas software has been available since 1997, the submission of these materials should not be considered an admission that these documents or all of the systems described therein are prior art. Rather, these documents are being submitted to ensure full compliance with applicant's duty of disclosure. (The article clearly notes that the PATRIOTcompliance system was not released until May, 2002 and therefore is not prior art. Accordingly, the applicant has not investigated this system further). As detailed below, even if these two systems are prior art, the present claims are also patentable over these systems.

U.S. Patent 5,177,342 ('342)

The '342 patent to Adams is entitled "Transaction Approval System," and issued on January 5, 1993. The '342 patent describes a transaction approval system for systems employing transaction cards, such as those used to make a purchase. It includes the ability to dynamically adjust such elements as the transaction limit stored in the terminal to vary the level of risk at the terminal to be closer to the desired level of risk. The terminal will also generate and store a list of account numbers which might be invalid and should provide an on-line request for authorization.

Although the '342 patent relates generally to containing financial risk through the use of an electronic system, it is focused on whether or not a credit card transaction should be approved based on the size of the transaction and whether the account number is on a list of accounts for which outside approval must be sought. It does not address risks associated with the political exposure of a person involved in the transaction.

More particularly, the '342 patent does not disclose a method or computer system for managing risk in which information relating to "political exposure associated with a person involved in a financial transaction" is gathered; nor does it disclose structuring such information according to "political exposure risk quotient criteria" or using such structured information to calculate a risk quotient as recited in independent claims 1, 16, and 20. Similarly, the '342 patent does not disclose generating a computer data signal by performing such steps, as recited in independent claim 21, or disclose a method including the step of "receiving a risk quotient indicative of a level of risk associated with the political exposure of the person associated with the account holder," as recited in independent claim 22.

Because at least one element or step recited in each of the independent claims is absent from the '342 patent, the claims are patentable over this reference.

U.S. Patent 6,078,904 ('904)

The '904 patent to Rebane is entitled "Risk Direct Asset Allocation and Risk Resolved Cap for Optimally Allocating Investment Assets in an Investment Portfolio," and issued on June 20, 2000. The '904 patent describes a computer implemented system for allocating an investor's funds wherein said system determines the risk tolerance function of the investor. The risk addressed in the '904 patent relates generally to financial risk associated with a particular investment and whether the financial risk is tolerable to a given the investor.

The '904 patent does not disclose a method or computer system for managing risk in which information relating to "political exposure associated with a person involved in a financial transaction" is gathered; nor does it disclose structuring such information according to "political exposure risk quotient criteria" or using such structured information to calculate a risk quotient as recited in independent claims 1, 16, and 20. Similarly, the '904 patent does not disclose generating a computer data signal by performing such steps, as recited in independent claim 21, or disclose a method including the step of "receiving a risk quotient indicative of a level of risk associated with the political exposure of the person associated with the account holder," as recited in independent claim 22.

Because at least one element or step recited in each of the independent claims is absent from the '904 patent, the claims are patentable over this reference.

U.S. Patent 6,085,175 ('175)

The '175 patent to Gugel, et al. is entitled "System and Method for Determining Value at Risk of a Financial Portfolio," and issued on July 4, 2000. The '175 patent describes a system and method for analyzing financial risk data; in particular estimating value-at-risk (VAR) of a financial portfolio which includes an analysis of a distribution of sorted financial data samples to determine an accurate range of upper and lower limits of an expected value of VAR.

The purpose of the VAR calculation is to determine, or a given portfolio, a maximum dollar amount that is at risk given a certain degree of certainty. For example, a VAR calculation could indicate that a specific portfolio will loose no more than \$50,000 over the next week with a certainty of 99%. Although VAR calculations do provide a measure of financial risk, considerations of VAR do not address the risks raised the political aspects of those associated with an account as recited in the claims.

More particularly, the '175 patent does not disclose a method or computer system for managing risk in which information relating to "political exposure associated with a person involved in a financial transaction" is gathered; nor does it disclose structuring such information according to "political exposure risk quotient criteria" or using such structured information to calculate a risk quotient as recited in independent claims 1, 16, and 20. Similarly, the '175 patent does not disclose generating a computer data signal by performing such steps, as recited in independent claim 21, or disclose a method including the step of "receiving a risk quotient indicative of a level of risk associated with the political exposure of the person associated with the account holder," as recited in independent claim 22.

Because at least one element or step recited in each of the independent claims is absent from the '175 patent, the claims are patentable over this reference.

U.S. Patent 6,119,103 ('103)

The '103 patent to Basch, et al., entitled "Financial Risk Prediction Systems and Methods Therefor," and issued on September 12, 2000. The '103 patent describes a computer-implemented method for predicting financial risk, which includes receiving data pertaining to transactions performed on more than one financial account held by a given account holder and where each of the multiple accounts is issued by a different account issuer. The described method relates generally to scoring risk related to financial transactions by scoring of a first transaction data and a second transaction data based on a preexisting model to form a score for the account holder which is provided by the system.

The '103 patent discloses using a predictive model to calculate financial risk scores and alerts based on data that relates to current "scoreable transactions." The examples of scoreable transactions are largely directed to activity in the financial account at issue or related accounts, such as credit transactions,

clearing and settlement transactions between merchants and account issuers related to one or more accounts, account issuer-supplied account records, public records for the account. Data other than financial transaction data is largely used to authenticate the scoreable transactions and to build the predictive model itself.

The patent discloses that issues such as divorce or bankruptcy could effect financial risk and that these issues could be incorporated into a model wherein a warning could be being given to the issuers of effected accounts if such events occurred. However, there is absolutely no disclosure or suggestion in the '103 patent to receive and process information related to "political exposure associated with a person involved in a financial transaction," to structure such information according to "political exposure risk quotient criteria", or to use such structured information to calculate a risk quotient as recited in independent claims 1, 16, and 20. The '103 patent also does not disclose generating a computer data signal by performing such steps, as recited in independent claim 21, or disclose a method including the step of "receiving a risk quotient indicative of a level of risk associated with the political exposure of the person associated with the account holder," as recited in independent claim 22.

Because at least one element or step recited in each of the independent claims is absent from the '103 patent, the claims are patentable over this reference.

WO 01/55885 A2 ('885)

International publication date, August 2, 2001, entitled "Online sales Risk Management System", issued to Greener, et al., describes a computer-implemented method for providing risk management for online transactions. An exchange price for a foreign currency relative to a base currency is entered into a host computer which also receives data descriptive of one or more transactions involving the foreign currency that occurred within a predetermined time period. Currency is exchanged according to the entered price and the transaction amounts contained in the data. A risk exposure for the predetermined time period can be calculated. Transactions can include any quantifiable transaction such as an online sales transaction consummated over a computerized communications network. The risk exposure in the '885 patent relates to a financial risk associated with currency exchange and does not address political risk that is raised by individuals connected with an account.

More particularly, the '885 publication does not disclose a method or computer system for managing risk in which information relating to "political exposure associated with a person involved in a financial transaction" is gathered; nor does it disclose structuring such information according to "political exposure risk quotient criteria" or using such structured information to calculate a risk quotient as recited in independent claims 1, 16, and 20. Similarly, the '885 publication does not disclose generating a computer data signal by performing such steps, as recited in independent claim 21, or disclose a method including the step of "receiving a risk quotient indicative of a level of risk associated with the political exposure of the person associated with the account holder," as recited in independent claim 22.

Because at least one element or step recited in each of the independent claims is absent from the '885 publication, the claims are patentable over this reference.

WO 0075836 ('836)

International publication date, December 14, 2000, entitled "Portfolio Accounting and Risk Management System", issued to Coppola, describes a method and system for managing investment portfolio risk on a computer system. Data is stored on a computer-readable medium, along with an equity value associated with a user's portfolio. A point risk value is determined for a potential investment. Risk scenarios are displayed showing proposed numbers of shares or contracts associated with the point risk

value for a plurality of selected size risk values. Other risk characteristics may also be determined and displayed. The system and method may be embodied in a client/server system or in a stand-alone computer system. The risk addressed by the '836 patent is financial risk associated with potential investment and not with political risk.

More particularly, the '836 publication does not disclose a method or computer system for managing risk in which information relating to "political exposure associated with a person involved in a financial transaction" is gathered; nor does it disclose structuring such information according to "political exposure risk quotient criteria" or using such structured information to calculate a risk quotient as recited in independent claims 1, 16, and 20. Similarly, the '836 publication does not disclose generating a computer data signal by performing such steps, as recited in independent claim 21, or disclose a method including the step of "receiving a risk quotient indicative of a level of risk associated with the political exposure of the person associated with the account holder," as recited in independent claim 22.

Because at least one element or step recited in each of the independent claims is absent from the '836 publication, the claims are patentable over this reference.

Non-Patent Literature References:

1. A web site www.paynetonline.com

This site includes references that describe an online, automated system for members to obtain reports of pooled financial information for their use in assessing risks associated with certain financial transactions. The service offered allows members to share payment history with other members. One benefit of the shared information may be the ability to better determine a credit risk associated with a potential lessor. The web site does not provide for or otherwise disclose monitoring for the risk associated with political disclosure.

More particularly, the '836 publication does not disclose a method or computer system for managing risk in which information relating to "political exposure associated with a person involved in a financial transaction" is gathered; nor does it disclose structuring such information according to "political exposure risk quotient criteria" or using such structured information to calculate a risk quotient as recited in independent claims 1, 16, and 20. Similarly, the '836 publication does not disclose generating a computer data signal by performing such steps, as recited in independent claim 21, or disclose a method including the step of "receiving a risk quotient indicative of a level of risk associated with the political exposure of the person associated with the account holder," as recited in independent claim 22.

Because at least one element or step recited in each of the independent claims is absent from the '836 publication, the claims are patentable over this reference.

2. Banasiak, Michael; "Don't Be Out-Scored by Your Competition", Credit and Financial Management Review, 2nd Quarter 2000.

This reference describes the benefits to be derived from an automated credit scoring model in conjunction with a validation process implemented with a knowledge-based decision making system. The article generally describes several different types of credit scoring models and that it is beneficial to use models of this type within a validated credit policy. However, while the article relates generally to automated risk scoring, it does not disclose analysis and risk assessment related to an individual's political exposure.

More particularly, the web site does not disclose a method or computer system for managing risk in which information relating to "political exposure associated with a person involved in a financial transaction" is gathered; nor does it disclose structuring such information according to "political exposure risk quotient criteria" or using such structured information to calculate a risk quotient as recited in independent claims 1, 16, and 20. Similarly, the web site does not disclose generating a computer data signal by performing such steps, as recited in independent claim 21, or disclose a method including the step of "receiving a risk quotient indicative of a level of risk associated with the political exposure of the person associated with the account holder," as recited in independent claim 22.

Because at least one element or step recited in each of the independent claims is absent from the web site, the claims are patentable over this reference.

3. World-Check marketing brochure

World-Check is an on-line database system that can be used in connection with banking compliance and account opening due-diligence. The document describes that the databased information covers individuals that are in "high risk" or "potential high risk" categories. High risk individuals are defined as those that are wanted, have been convicted, or are associated with terrorism, drug trafficking, war crimes, organized crime, or fraud. Potential high risk individuals are those that hold or have held a political office or are related to such individuals, or other individuals that have an influential role in society.

According to the examples in the brochure, World-Check allows a officer or other party to search for information related to a specific individual. A profile of that person is then returned and can be used to, e.g., vet undesirables, assess potential high risk clients, etc.

Although the information provided by World-Check can be used to reduce the risks associated with an account, the information provided is summarized but otherwise is generally unprocessed. As a result, the information must be manually reviewed and analyzed by an individual in order to assess the associated risk. (For example, both George W. Bush and Saddam Hussain are persons that hold a political office and therefore fall in the potential high risk category as defined in the World-Check document. However, the risks associated with opening an account for these individuals is significantly different.)

The World-Check document does not disclose a method or computer system for managing risk in which information relating to political exposure associated with a person involved in a financial transaction is structured according to "political exposure risk quotient criteria" or using such structured information to calculate a risk quotient as recited in independent claims 1, 16, and 20. Similarly, the document does not disclose generating a computer data signal by performing such steps, as recited in independent claim 21, or disclose a method including the step of "receiving a risk quotient indicative of a level of risk associated with the political exposure of the person associated with the account holder," as recited in independent claim 22.

Because at least one element or step recited in each of the independent claims is absent from the web site, even if the World-Check system is prior art, the claims are patentable over this reference.

4. Mantas marketing materials

The Mantas marketing materials describe a suite of programs that are used to monitor account transactions, customer activities, trading and marketing activities, order executions, customer suitability, broker selling practices, and the like in connection with anti-money laundering, fraud, compliance,

investor protection, and other applications. Each application uses data mining and pattern detection algorithms to identify scenarios of interest. When a scenario of interest is detected, the system generates an alert message that is routed to the appropriate individuals. The alert message contains information which allows a user to analyze the reason for and details of an alert, view background data and historical alert information for the subject of the alert, etc. Thus, alert messages are flags which indicate that a particular sequence of transactions, trades, executions, or the like, raises concern and needs to be addressed by a person responsible for acting on the alerts.

Five specific product specifications are disclosed for use in the following applications:

1. Enterprise Anti-Money Laundering
2. Brokerage Fraud and Anti-Money Laundering
3. Trading Compliance
4. Best Execution
5. Brokerage and Investor Protection

Among the types of information considered in determining whether to issue an alert are high risk entities, such as entities listed on an exclusion or watch list, customer and employee data, account information, etc. Specific lists of information are detailed in the attached documents.

While the Mantas material generally indicates that information related to individuals on a watch list is obtained, the documents do not disclose a method or computer system for managing risk in which information relating to "political exposure associated with a person involved in a financial transaction" is gathered; nor does it disclose structuring such information according to "political exposure risk quotient criteria" as recited in independent claims 1, 16, and 20.

Although the documents generally indicate that alerts can be scored, such scoring is based on business criteria defined by a user to prioritize workflow. There is no additional of how an alert is scored, what "business criteria" could be used to generate the score, or what the score represents. In particular, the Mantas documents do not disclose using structured political exposure information to generate a risk quotient as recited in independent claims 1, 16, and 20. Similarly, the documents do not disclose generating a computer data signal by performing such steps, as recited in independent claim 21, or disclose a method including the step of "receiving a risk quotient indicative of a level of risk associated with the political exposure of the person associated with the account holder," as recited in independent claim 22.

Because at least one element or step recited in each of the independent claims is absent from the web site, even if various aspects of the Mantas system are prior art, the claims are patentable over this reference.

CONCLUSION

In view of the above, it is respectfully requested that the U.S. Patent and Trademark Office reconsider and grant this Petition to Make Special for the above-identified application.

The Commissioner is hereby authorized to any additional fees which may be due in connection with this petition, or to credit any overpayments in connection with this communication, to Deposit Account No. 50-0521. A duplicate copy of this Petition is enclosed herewith.

Date:

6/21/02

Respectfully submitted,



Mitchell S. Feller

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